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TRENDS in the COST of LABOR

in MARKETING FARM FOOD PRODUCTS

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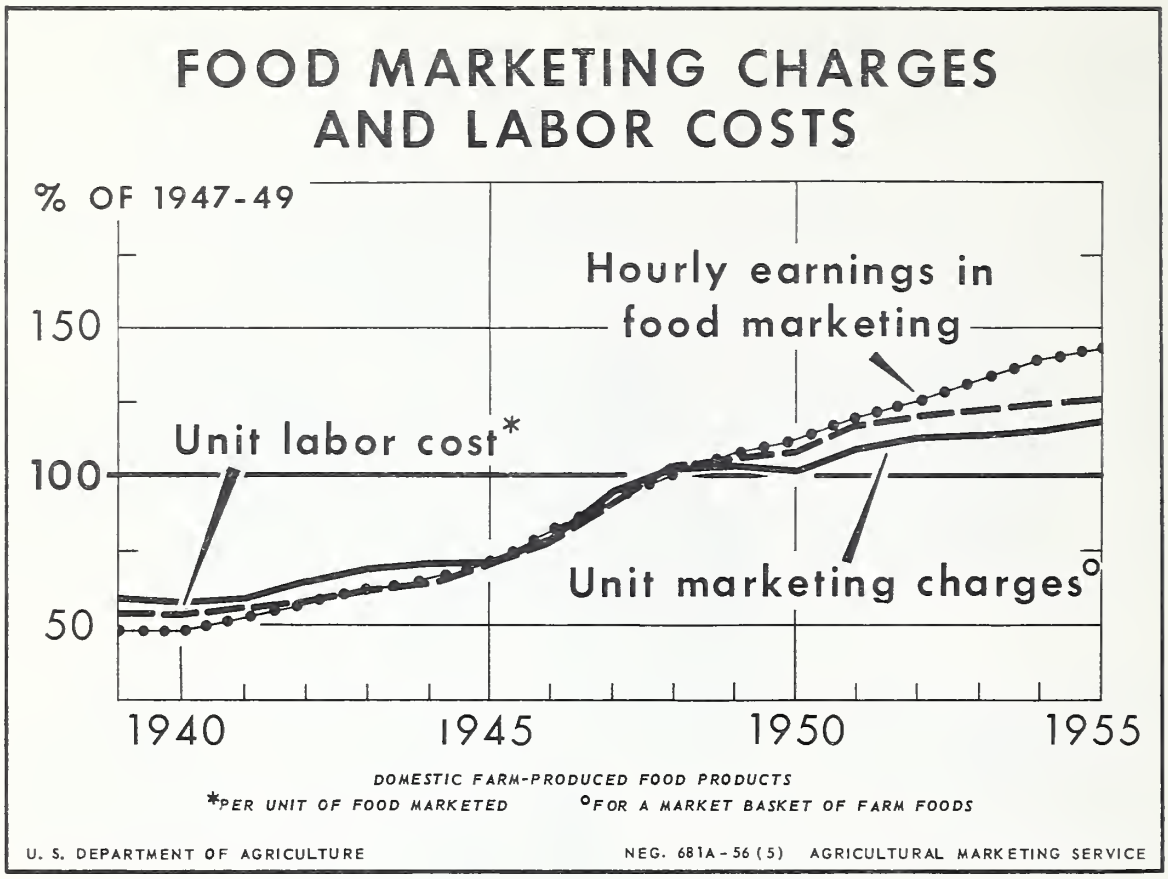
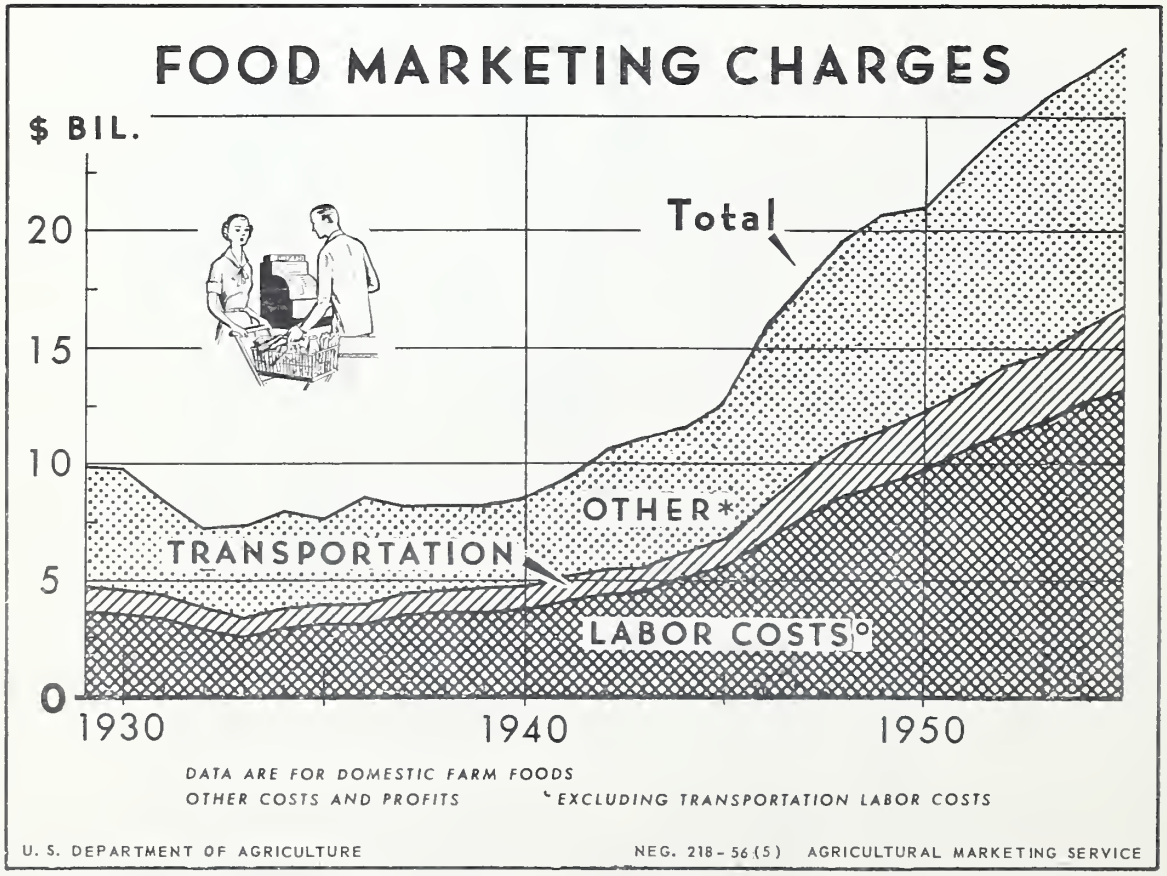

FOOD MARKETING CHARGES
AND LABOR COSTS
% OF 1947-49
150
100
50
Hourly earnings in
food marketing
Unit labor cost*
Unit marketing charges°
1940
1945
1950
1955
DOMESTIC FARM-PRODUCED FOOD PRODUCTS
*PER UNIT OF FOOD MARKETED
°FOR A MARKET BASKET OF FARM FOODS
U. S. DEPARTMENT OF AGRICULTURE
NEG. 681A-56 (5) AGRICULTURAL MARKETING SERVICE


FOOD MARKETING CHARGES
$ BIL.
20
15
10
5
0
Total
OTHER*
TRANSPORTATION
LABOR COSTS°
1930
1940
1950
DATA ARE FOR DOMESTIC FARM FOODS
OTHER COSTS AND PROFITS
°EXCLUDING TRANSPORTATION LABOR COSTS
U. S. DEPARTMENT OF AGRICULTURE
NEG. 218-56 (5) AGRICULTURAL MARKETING SERVICE

TRENDS IN THE COST OF LABOR IN MARKETING FARM FOOD PRODUCTS

Farmers and consumers are confronted with a situation in which prices farmers receive are falling while prices consumers pay are relatively stationary. What elements in marketing costs account for this? The Department of Agriculture is examining a number of the cost elements that affect marketing. Among these, labor is one of the most important. The cost of labor engaged in marketing farm food products has risen each year since 1938. This increase reflects expansion in quantity of products marketed, addition of marketing services per unit of product, and the general rise in wages, other costs, and prices that occurred throughout the economy during World War II and postwar years.

The equivalent of about 5.1 million persons on a full-time basis were engaged in marketing farm food products in 1955. This includes salaried and wage employees of firms that assemble, transport, process, and distribute farm food products and proprietors of unincorporated businesses and family workers who do not receive money wages or salaries. It includes workers in restaurants and other eating places, workers who process and handle exported products and products sold to the Armed Forces as well as to civilian consumers in this country. 1/

About three-fifths of the approximately 5 million food marketing workers were in retailing, about a fourth in processing, and the remaining 15 percent in local assembly, wholesaling, and transportation. Slightly more than two-fifths of those in retailing were in restaurants and other eating places. This proportion has increased slightly during the last 25 years. Proportions in other lines of food marketing have not changed significantly, although number of workers in each has increased.

Trend in Number of Workers

The trend in the number of persons engaged in marketing farm-produced food products has been upward since 1929 (table 8). Significant decreases occurred only in the early 1930's and during World War II. The number of equivalent full-time workers was 50 percent larger in 1955 than in 1929.

1/ Most retail and wholesale establishments that sell farm food products also handle nonfarm foods and nonfood items, many firms that transport farm foods also haul other products, and some food processing plants manufacture nonfood products. Total number of workers in these establishments, therefore, cannot be included in these estimates. In general, the proportion included is determined by the proportion of total sales or output represented by farm food products. Estimates of the number of workers and payments received by them in 1955 and earlier years are based on data published by the Dept. of Commerce and the Dept. of Labor. For a description of the way in which these estimates were derived, see "Labor in Marketing Farm Products." Agricultural Economics Research, Apr. 1955, pp. 42-49.

Table 8.- Estimated number of workers and cost of labor in marketing farm-produced food products, 1929-55 1/

Year	Number of workers		Labor cost	
	Total	1947-49 = 100	Total	1947-49 = 100
	Million	Percent	Billion dollars	Percent
1929	3.4	73	4.6	39
1930	3.4	72	4.5	38
1931	3.3	69	4.1	35
1932	3.1	66	3.5	30
1933	3.2	67	3.2	28
1934	3.4	73	3.6	31
1935	3.5	74	3.8	32
1936	3.6	76	4.0	34
1937	3.7	80	4.5	38
1938	3.7	79	4.5	38
1939	3.8	82	4.7	40
1940	3.9	84	4.9	42
1941	4.1	87	5.3	46
1942	4.2	88	5.9	50
1943	4.0	86	6.3	54
1944	4.1	88	6.9	59
1945	4.2	90	7.6	65
1946	4.5	95	9.1	78
1947	4.6	99	10.8	92
1948	4.7	100	11.8	101
1949	4.7	101	12.4	107
1947-49 ...	4.7	100	11.7	100
1950	4.7	100	13.0	111
1951	4.8	103	14.2	122
1952	4.9	105	15.1	129
1953	5.0	107	16.0	137
1954	5.0	107	16.5	142
1955 2/ ...	5.1	108	17.2	147

1/ Includes number (on a full-time equivalent basis) and compensation of all persons engaged in assembling, processing, wholesaling, retailing, and transporting farm food products. Proprietors and family workers who receive no stipulated compensation are included in the estimated number of workers. The cost of labor includes wages and salaries received by employees, an allowance for the labor of proprietors and family workers, and supplements to wages and salaries paid by employers.

2/ Preliminary.

Most of the increase was caused by an expansion of 65 percent in volume of farm food products sold by farmers between 1929 and 1955. Volume of products handled by the marketing system probably increased somewhat more than 65 percent; since the marketing system handled an increasing proportion of the farm products sold. A few farmers still sell milk, eggs, fresh fruits and vegetables, and other products directly to consumers. Direct sales of milk, and possibly of other products, have decreased since 1929; as a consequence, the proportion handled by the marketing system has grown.

In addition to the increase in the volume of products marketed, the number of operations per unit of product performed by the marketing system is probably greater now than in earlier years. More grading, sorting, transportation, refrigeration, processing, packaging, and the other operations are performed per unit in converting products sold by farmers into those bought by consumers and in moving them from farms to consumers. Each additional operation generally increases the labor required to market a product. Thus, the task performed by labor in marketing probably has grown more than is indicated by the expansion in the volume of products.

Marketing operations have been increased by the sale of more services to consumers along with the food they buy. In recent years, one way this has been done was to sell more food in the form of meals in restaurants and other eating places. Another way was to sell more food in a form that requires less preparation in the home. Many "convenience" foods have been developed in recent years and those available for many years are now used more widely. During the last 30 years consumer purchases of convenience foods probably have increased more than purchases of other foods. This is suggested by estimates of the quantities of various foods bought by a typical city family of four during a week in 1922-24 and 1952-54. 2/ According to these estimates, prepared or partially prepared foods made up about 25 pounds of the 125 pounds of food bought in 1952-54 and 14 of the 115 pounds bought in 1922-24. Some of these products had not been developed in the earlier period or had not become widely enough used to appear in a typical family market basket. Their combined weight increased by about three-fourths while that of the other products in the market basket changed little. Increases for some of the other foods were offset by decreases for others.

With many of the foods not included in the convenience group, more services are now provided than previously. Many chickens are sold ready to cook, for example, and more fresh vegetables are cleaned, trimmed, and packaged in transparent film.

These and other developments tend to increase labor requirements per unit of product, but they are at least partially offset by developments in the opposite direction; for example, increased marketings of eggs, poultry, and other products that require less labor in marketing. An innovation that saves labor is the almost complete discontinuance of daily home delivery of milk. Another is the increase in the proportion

2/ The City Family's Market Basket, Now and 30 Years Ago, Human Nutrition and Home Economics Pub. 116, U. S. Dept. Agr., May 1955.

of milk sold by retail stores. Substitution of self service for clerk service in retail food stores, although generally welcomed by consumers, also reduces labor requirements. Elimination of delivery and credit services by most retail food stores is another example of a development that reduces labor requirements per unit of product. Nevertheless, during the last quarter century there probably has been a net increase.

Reduction in the usual number of hours worked per week by full-time employees may have contributed to the growth in the number of workers in food marketing, but we have no adequate data for estimating the average length of the standard work week in food marketing. 3/

Cost of Labor in Marketing Farm Food Products

Variations in the total labor cost reflect changes (1) in volume of farm food products marketed, (2) in the quantity and quality of services supplied by the marketing system, and (3) in wage rates and output per man-hour of labor. Total labor cost during the early 1930's declined more than either the number of employees or the volume of food products marketed; since the 1930's it has increased more rapidly than either (table 8). From 1946 to 1955 cost of labor increased nearly 90 percent. Labor cost was about the same proportion of the national income in both years. Included in this cost are wages and salaries paid to employees, and imputed payments to proprietors and family workers among the estimated number of food marketing workers. 4/ Also included are supplements to wages and salaries paid by employers, such as payments to social insurance funds, private pension and welfare funds, compensation for injuries, and other minor items. Estimates of these supplements are based on U. S. Department of Commerce data.

In recent years, labor costs per unit of product have not increased as fast as wage rates because output per man-hour has increased. Compared with the 1947-49 average, hourly earnings of food marketing workers increased 43 percent and labor costs per unit of product 26 percent (table 9). The rise in the unit labor cost resulted mainly from increases in hourly earnings of workers, although part of it may be due to an increase in the number of operations performed per unit of product. The entire increase in productivity is, therefore, probably not reflected in the comparisons in table 9.

3/ Averages of the number of hours worked per week, published by the Bur. of Labor Statistics, are calculated from totals which include overtime and part-time work. Thus, they may differ from the standard work week. However, the decline from an average of 42.5 hours per week in food marketing industries in 1939 to 40.1 hours in 1955 probably reflects a reduction in the standard work week for full-time employees. This is a weighted average of hours per week worked by employees in food and kindred products manufacturing plants, wholesale trade, retail food and liquor stores, and Class I steam railroads. Comparable data for years prior to 1929 are not available.

4/ These estimates of labor cost were derived by methods similar to those described in footnote 1, p. 19.

Table 9.- Marketing charges and labor cost per unit of product and average hourly earnings of workers engaged in marketing food products sold to civilian consumers in the United States, 1929-55

Index numbers (1947-49 = 100)

Year	Unit marketing charges 1/	Unit labor cost 2/	Hourly earnings 3/
1929	77	60	---
1930	78	59	---
1931	66	55	---
1932	59	48	42
1933	56	43	40
1934	59	47	43
1935	62	51	44
1936	63	51	43
1937	64	56	46
1938	61	54	47
1939	59	54	48
1940	58	54	48
1941	59	56	52
1942	65	58	57
1943	69	61	61
1944	70	64	65
1945	70	70	70
1946	79	78	81
1947	95	90	92
1948	102	103	101
1949	103	106	107
1947-49 average	100	100	100
1950	101	108	112
1951	109	117	119
1952	112	120	125
1953	113	123	133
1954	115	125	139
1955 4/	119	126	143

1/ Calculated from annual average marketing margins between retail cost of a constant market basket of farm food products and payments received by farmers for equivalent farm products; margin has been adjusted for processing taxes and subsidies to marketing firms. The marketing margin is published in this Situation. See table 1, p. 6.

2/ Unit labor cost is the quotient of the indexes of total cost of labor and of the volume of food products marketed to domestic civilian consumers. The labor cost to which the first index relates is only for food sold to civilian consumers in this country; also the estimated cost of additional labor that would be required to handle in retail stores food sold in eating places has been substituted for the cost of labor in eating places. This adjustment makes the index comparable with that for marketing charges. The index of the volume of farm food products marketed was constructed by weighting the quantities sold to civilian consumers by 1947-49 average retail prices.

3/ Hourly earnings estimated by dividing total labor cost by total man-hours for all workers, including proprietors and family workers.

4/ Preliminary.

The conclusion that output per man-hour has increased is consistent with findings of a study conducted by the National Bureau of Economic Research. According to that study, productivity or output per man-hour increased by an average annual rate of 1.6 percent in the manufacture of food products and by 1.5 percent in wholesale and retail trade during the period from 1899 to 1953. Probably the average annual increase in recent years has been greater than the average for the entire period. This is suggested by data from the same study which for all industry show an annual average increase of 2.5 percent for the period 1948-53 as contrasted with 1.7 percent for the longer period. 5/

The Labor Cost as a Part of the Total Marketing Bill

Cost of labor, not including labor employed in intercity transportation, in recent years has constituted about half of the bill for marketing farm food products sold to civilian consumers in the United States (table 10). 6/ The marketing bill, as estimated by the Agricultural Marketing Service, is the difference between the retail cost of these foods, valued at retail-store prices, and the payment received by farmers for the equivalent farm products. The proportion of the food marketing bill represented by the direct cost of labor to food marketing firms has increased slightly since before World War II. In each year since 1949 it has been approximately 47 percent compared with 45 percent in the 1947-49 period and 42 percent in 1935-39.

5/ Productivity Trends: Capital and Labor, by John W. Kendrick, a paper presented before a meeting of the American Economic Association, Dec. 1955.

6/ Estimates of labor cost that are compared with the total marketing bill, shown in table 10, differ from estimates of labor cost relating to all food products sold by farmers, shown in table 8, in the following respects:

1. The series shown in table 10 relates only to food sold to civilian consumers, and not to that sold to the Armed Forces or exported.
2. The cost of labor in restaurants and other eating places is not included in table 10, but the series includes the estimated cost of additional retail-store labor that would be required to handle in retail stores the food sold in eating places. These adjustments are made because the food served in these places is valued at retail-store prices when it is included in the retail cost from which the marketing bill is derived.
3. The cost of labor employed in intercity transportation is not included as payments made for transportation also are compared with the total marketing bill.

Table 10.- Labor, transportation, and "other costs and profits" components of the total bill for marketing farm food products from sale by farmers to purchase in retail food stores by civilian consumers in the United States, averages 1935-39 and 1947-49, annual 1929-55

Year	Total marketing bill	Labor 1/	Transportation	Other costs and profits
	Billion dollars	Billion dollars	Billion dollars	Billion dollars
1929	9.9	3.8	1.0	5.1
1930	9.8	3.7	1.0	5.1
1931	8.4	3.4	1.0	4.0
1932	7.2	2.9	.9	3.4
1933	7.3	2.7	.8	3.8
1934	7.9	3.0	.8	4.1
1935	7.6	3.1	.8	3.7
1936	8.5	3.3	.8	4.4
1937	8.2	3.6	.9	3.7
1938	8.2	3.6	.9	3.7
1939	8.2	3.7	1.0	3.5
1935-39 average	8.1	3.4	.9	3.8
1940	8.5	3.9	1.0	3.6
1941	9.2	4.1	1.2	3.9
1942	10.5	4.5	1.0	5.0
1943	11.1	4.6	1.0	5.5
1944	11.4	5.0	1.1	5.3
1945	12.5	5.5	1.3	5.7
1946	15.6	6.7	1.6	7.3
1947	17.7	7.9	2.0	7.8
1948	19.7	8.9	2.2	8.6
1949	20.7	9.4	2.4	8.9
1947-49 average	19.4	8.7	2.2	8.4
1950	21.0	9.9	2.6	8.5
1951	22.7	10.6	2.6	9.5
1952	24.4	11.4	3.0	10.0
1953	25.9	12.2	3.0	10.7
1954	26.8	12.7	3.3	10.8
1955 2/	28.0	13.1	---	---

1/ See footnote 6, p. 24.
2/ Preliminary.

In recent years cost of labor engaged in marketing has also become a larger proportion of the total retail cost of farm foods sold to civilian consumers. In 1954 and 1955 it was 28 percent compared with 23 percent in 1947-49 and 25 percent in 1935-39. In 1955 the aggregate return to farmers for the farm products equivalent to these foods was 40 percent of the retail cost compared with 49 percent in 1947-49 and 40 percent in 1935-40. The decline in prices received by farmers for food products has accounted for much of the decrease in the share of the retail cost received by farmers in recent years. Prices received by farmers are largely determined, particularly in the short-run, by different factors than those which determine the labor cost. Consequently, the labor cost and the payment to farmers may not move in the same direction.

Average Hourly Earnings in Food Marketing

Average hourly earnings of employees of farm food marketing firms averaged $1.76 in 1955. 7/ Hourly earnings in retail food and liquor stores averaged $1.63. This compared with an average of $1.50 for all employees in retail trade. Employees in plants manufacturing food and kindred products earned $1.75 per hour in 1955 compared with $1.88 for all employees in manufacturing industries. Hourly earnings data for employees of food wholesalers are not published separately by the Bureau of Labor Statistics; earnings for all employees in wholesale trade averaged $1.91. Year-to-year increases in average hourly earnings of employees in food manufacturing generally have been smaller since 1939 than those for all manufacturing employees, particularly during the early years of this period. Annual increases since 1939 have been about the same for retail food store employees as the average for all employees in retail trade. Hourly earnings in retail trade since 1936 have not increased as much as those in manufacturing.

Average hourly earnings of workers in food marketing have increased considerably more than the consumer price index since 1947, the first calendar year after World War II price and wage controls were removed. Hourly earnings in 1955 were 54 percent higher than in 1947 while the Bureau of Labor Statistics index of consumer prices in 1955 was 20 percent above its 1947 level. Average hourly earnings of employees in retail food stores advanced 52 percent from 1947 to 1955 and hourly earnings in food manufacturing advanced 56 percent.

Average hourly earnings have risen mainly because of increases in wages and salaries. Besides changes in wage rates and salary scales, average hourly earnings reflect variations in premium pay for overtime and late shift work and changes in employment between relatively high-paid and low-paid workers. It is likely that as a result of the greater use of mechanical equipment in processing plants, warehouses, and other marketing establishments, the proportion of workers in relatively higher paid jobs has increased in recent years.

7/ This is a weighted average of hourly earnings of employees of food retailing, wholesale trade, food and kindred products manufacturing establishments, and steam railroads.

The rise in wage rates and salary scales in food marketing has been a part of the general rise in costs and prices that has occurred throughout the economy since World War II. Many factors have contributed to this upward movement. One has been the strong demand for labor during the post-World War II period resulting from large increases in expenditures by consumers, business, and Government. The gross national product or expenditure, in terms of dollars of constant purchasing power, has increased by more than a third since 1946, but the civilian labor force has increased by only 14 percent. In actual dollars, gross national product increased 85 percent. During much of this period employers generally have been enlarging their work forces to supply expanding markets. Nonagricultural civilian employment has increased by about a fifth and unemployment has averaged less than 4 percent of the civilian labor in every year but 4, and has never been larger than 5.5 percent. 8/ This type of situation materially enhances the bargaining position of workers. To obtain workers, to minimize labor turnover, and to prevent work stoppages, employers increased wages. The expanding demand for the products of industry and improvements in the productivity of labor made it easier for firms to increase wages without adverse effect on profits. The rapid rise in disposable income made it relatively easy to raise prices to offset increased labor costs.

Effect of Recent Increase in Legal Minimum Wage

On March 1, 1956, the federally established minimum wage which applies to employees engaged in interstate commerce or in the production of goods for interstate commerce was raised from 75 cents to $1 an hour. Employees in retail trade, who number about three-fifths of all employees in food marketing, generally are exempt from the legal minimum wage. Also, many employees engaged in processing farm food products are specifically exempt even though the products enter into interstate commerce. A substantial proportion of the employees in food marketing to whom the law applies already received more than $1 an hour and, consequently, were not affected by the recent increase. In addition to the mandatory increases granted to employees who received less than $1 an hour wages of some employees who earned more than the new minimum may have been increased to maintain differentials between jobs requiring different degrees of skill.

It is difficult to estimate the effect of the change in the minimum wage on the cost of labor in marketing farm food products. Data are lacking as to the number of employees who earned less than the new minimum and who were affected by the law, and the response of industry to the higher minimum is uncertain. To offset the effect on the total wage bill, management may take such actions as the following: (1) Reduce the number of employees, (2) reduce hours of overtime work, (3) substitute machinery for part of the labor force, (4) increase efficiency.

8/ Nonagricultural civilian employment could increase by a larger proportion than the civilian labor force because of a reduction of about a fifth in the number of workers on farms.

Fringe Benefits in Agricultural Marketing 9/

Increasingly, direct wage payments do not represent the total labor bill of many firms engaged in marketing agricultural products. In recent years, there has been an increase in various kinds of employee benefits in the form of nonwage items, frequently referred to as "fringe benefits." Although fringe benefits have become a significant part of the labor bill of many firms, little information is available about them. Three sources -- the U. S. Department of Commerce, the U. S. Chamber of Commerce, and the National Industrial Conference Board -- provide some data concerning the extent, kinds, and estimates of payments for fringe benefits made by firms handling farm food products. In addition to the fringe benefits discussed in these studies, some corporations for many years have granted such perquisites to officials as stock options, pensions, gifts, and other considerations. This practice appears to have become more common in recent years.

Definition

Neither the precise extent of fringe benefits nor their cost to individual companies is known. Collection of statistics has been made difficult by a lack of agreement among companies and associations as to the meaning of the term "fringe benefits." Some companies include as fringe benefits their contributions to social security programs, which are required by law, but others do not; some include payment for rest periods, others do not.

In general, however, fringe benefits have certain characteristics. All represent an expenditure made wholly or in part by the employer and either add to the employee's pay or are of some benefit or service to him. Fringe benefits are available to all or most employees in the companies that have established the practice of providing them, and their cost rises or falls as size of the labor force changes.

Department of Commerce Estimates

The Department of Commerce reports supplements to wages and salaries in aggregate amounts which include: (1) Employer contributions for social insurance, including old-age and survivor's insurance, State unemployment insurance, Federal unemployment tax, and cash sickness compensation funds; (2) other labor income, including compensation for injuries and employer contributions to private pension and welfare funds; and (3) other minor items (table 11).

9/ Data for agricultural marketing industries in addition to those handling farm food products have been included in this section.

Table 11.- Supplements to wages and salaries as a percentage of wages and salaries in selected industries, 1947-54

Year	Food and kindred products industry	Tobacco manufactures	Textile mill products	Apparel and other finished fabric products	Wholesale trade	Retail trade
	Percent	Percent	Percent	Percent	Percent	Percent
1947	5.0	6.2	3.8	4.5	3.2	3.4
1948	4.7	6.9	3.8	4.4	2.9	3.1
1949	4.9	7.1	4.1	4.9	3.3	3.2
1950	5.5	8.2	4.9	5.6	3.9	3.6
1951	5.4	8.8	5.1	6.1	3.8	3.7
1952	5.3	9.0	4.9	5.8	3.5	3.7
1953	5.8	7.9	5.2	6.4	3.4	3.6
1954	6.6	8.3	5.9	6.8	3.8	4.1

Computed from material shown in the Survey of Current Business, July 1953 and July 1955.

United States Chamber of Commerce Studies

The United States Chamber of Commerce has made repeated studies of fringe benefits. Data have been collected on a case-study basis and cannot be considered as a representative sample of any one of the industries included (table 12). Rather, the companies included represent the leaders in each industry; they are companies that have the more important types of fringe benefits. The United States Chamber of Commerce definition of fringe benefits includes these elements: (1) The employer's share of legally required payments made to employees, (2) the employer's share of voluntary or agreed-upon payments, (3) payment for on-the-job time not worked, (4) payment for other time not worked, and (5) other items.

The employer's share of legally required payments includes: Old-age and survivor's insurance, unemployment compensation, workmen's compensation, and State sickness benefits insurance.

The employer's share of voluntary or agreed-upon payments includes: Pension plan premiums; pension payments not covered by insurance-type plans; life insurance premiums; death benefits not covered by insurance; sickness, accident, surgical, or medical care insurance premiums; accident, surgical or medical care payments not insured; hospitalization insurance premiums; hospitalization payments not covered by insurance-type plans; separation or termination pay allowances; and discounts on goods and services purchased from company by employees.

Payments for on-the-job time not worked are for rest periods, lunch periods, wash-up time, travel time, clothes-change time, and get-ready time.

For other time not worked payments include those made for vacations; holidays not worked; sick leave; jury, witness, and voting time; National Defense, State, or National Guard duty; payments required under guaranteed workweek or work year; and payments for time lost because of death in the family or other personal reasons.

Table 12.-Average fringe benefit payments made by selected firms in three industries, specified years

Industries, firms, and type of payment	Unit	1953	Identical firms 1953	Identical firms 1951	Identical firms 1953	Identical firms 1951	Identical firms 1949	Identical firms 1947
Manufacturing food, beverages, and tobacco:								
Firms included in group	Number	43	32	32	6	6	6	6
Payment:								
Per payroll hour	Cent	35.5	37.2	29.6	36.9	30.0	21.0	16.8
Per year per employee	Dollar	752	778	630	781	640	453	363
As a percentage of payroll, by type of payment:								
Employer's share of:								
Legally required payments	Percent	4.0	4.0	3.8	3.5	3.0	3.0	3.1
Voluntary or agreed-upon payments	Percent	5.1	5.0	3.2	6.2	3.9	3.0	2.1
On-the-job time not worked	Percent	3.5	3.8	2.9	4.5	4.6	2.6	2.7
Other time not worked	Percent	5.8	5.8	5.5	6.8	6.2	6.0	4.7
Profit-sharing, bonuses, etc.	Percent	1.6	1.8	1.9	.1	1/	1/	1/
Total	Percent	20.0	20.4	17.3	21.0	17.7	14.6	12.6
Manufacturing textile products and apparel:								
Firms included in group	Number	52	28	28	5	5	5	5
Payment:								
Per payroll hour	Cent	22.0	24.2	22.2	30.8	25.7	21.4	15.2
Per year per employee	Dollar	451	500	452	655	540	442	321
As a percentage of payroll, by type of payment:								
Employer's share of:								
Legally required payments	Percent	3.9	3.9	4.1	3.5	3.3	2.2	2.7
Voluntary or agreed-upon payments	Percent	3.8	4.2	3.4	5.0	4.0	3.9	3.2
On-the-job time not worked	Percent	1.4	1.8	1.6	2.1	1.5	1.6	.8
Other time not worked	Percent	4.6	5.1	4.8	6.5	5.7	5.4	4.4
Profit-sharing, bonuses, etc.	Percent	.8	.6	.6	.7	1.1	1.5	1.3
Total	Percent	14.5	15.6	14.5	17.8	15.6	14.6	12.4
Wholesale and retail trade: 2/								
Firms included in group	Number	37	28	28	8	8	8	8
Payment:								
Per payroll hour	Cent	26.0	27.5	23.3	28.5	23.0	21.0	15.5
Per year per employee	Dollar	551	581	487	596	482	414	338
As a percentage of payroll, by type of payment:								
Employer's share of:								
Legally required payments	Percent	3.2	3.0	3.5	3.0	3.5	3.0	3.1
Voluntary or agreed-upon payments	Percent	4.9	4.9	4.7	4.7	4.6	4.2	3.7
On-the-job time not worked	Percent	2.8	3.4	2.7	3.2	2.7	2.8	2.3
Other time not worked	Percent	5.1	5.4	5.0	6.2	5.9	5.2	4.3
Profit-sharing, bonuses, etc.	Percent	1.9	2.2	2.1	2.6	2.3	2.4	3.4
Total	Percent	17.9	18.9	18.0	19.7	19.0	17.6	16.8

1/ Less than 0.05 percent.
2/ Firms in addition to those handling agricultural products have been included.

United States Chamber of Commerce, Fringe Benefits, 1953.

Other items included in fringe benefits are: Profit-sharing payments, Christmas or other special bonuses, service awards, suggestion awards, payments to union stewards or officials for time spent in settling grievances or in negotiating agreements, special wage payments ordered by courts or wage adjustment boards, and any other similar payments.

Fringe benefits as defined by the United States Chamber of Commerce include more items than are included under the definition used by the Department of Commerce. Furthermore, the United States Chamber of Commerce includes premium pay for overtime and late-shift work as a fringe benefit whereas the Department of Labor reports this item in average hourly earnings.

National Industrial Conference Board Studies

Studies of fringe benefit payments also have been made by the National Industrial Conference Board. Emphasis of these studies has been on the prevalence of practices and the manner of financing fringe benefits in selected firms including those manufacturing food and beverages, textiles and textile products, and retail stores (tables 13 and 14). No separation of the 12 retail stores was made to show those handling only agricultural products. These studies point out that the entire cost of fringe benefits frequently is not borne by the company alone; employees also may contribute to the benefits they receive (table 14).

Trends in Fringe Benefits

During World War II interest in fringe benefits increased because of controls on wages and salaries; since the war the practice has spread and the benefits granted have increased (tables 11 and 12). Based on the Chamber of Commerce studies, types of benefits that increased most were pension plans and other voluntary or agreed-upon payments and payments for time not worked -- vacations, holidays, sick leave, and other time away from the job. Because of rising wage rates, fringe benefits increased more rapidly when shown as annual dollars per employee than when shown as a percentage of payroll.

Judging from data presented by the Chamber of Commerce studies, payments were highest in the Northeast, followed by the East North Central, Southeastern, and Western regions. Large companies generally paid higher fringe benefits than small ones.

Effect of Fringe Benefits on Marketing Costs

The proportion of the cost of fringe benefits that employers pay has the same effect on marketing costs as straight-time wages. As the cost of fringe benefits may be at least partly offset by increased productivity and decreased labor turnover, it is not known to what extent they affect unit labor costs. To understand clearly their effect on costs, one should consider overall input-output relationships rather than expenditures only. In addition, much of the cost of fringe benefits, like other labor costs, is tax deductible. Because of differences in applicable income-tax rates, the impact on employer net income varies among companies.

Table 13.- Number of companies surveyed in selected industries paying for all or part of the cost of designated fringe benefits to salaried and hourly employees, 1953

Item	Food and beverage products		Textiles and textile products		Retail stores 1/	
	Salaried employees	Hourly employees	Salaried employees	Hourly employees	Salaried employees	Hourly employees
	Number	Number	Number	Number	Number	Number
Total companies in survey	28	28	29	32	12	12
Time off with pay practices:						
Vacations	27	28	29	31	11	11
Holidays	28	27	27	30	11	11
Holidays on Saturday	14	21	14	24	2	4
Summer military training	10	7	15	14	2	2
Election day	21	16	15	10	7	4
Jury duty	22	12	22	6	11	9
Supper allowance	6	7	5	2	6	8
Death in family	26	7	26	1	12	10
Illness in family	19	1	23	1	4	2
Marriage	20	1	18	1	3	2
Medical appointment	20	2	22	1	10	7
Severance pay	15	5	10	1	6	8
Rest periods	14	22	11	10	10	11
Paid lunch period	5	7	1	5	1	1
Wash time	2	8	3	14	1	1
Premium pay practices:						
Second shift premium	—	14	—	26	—	0
Third shift premium	—	13	—	28	—	0
Holidays worked	16	26	18	28	4	10
Saturday as such	9	13	14	17	0	0
Sunday as such	12	19	13	22	3	6
Sixth day as such	—	13	—	16	—	0
Seventh day as such	—	17	—	16	—	2
Call-in pay	—	17	—	16	—	5
Reporting pay	—	15	—	23	—	3
Health and security benefits:						
Pensions	25	24	20	17	8	9
Life insurance	22	22	27	30	9	9
Accidental death and dismemberment	14	16	19	21	6	7
Accident and sickness	15	18	23	26	7	6
Hospitalization coverage	19	23	25	29	8	9
Surgical coverage	18	21	22	29	7	8
Maternity coverage	14	12	22	28	5	6
Medical coverage	12	15	11	12	5	5
Catastrophe coverage	1	0	1	0	2	2
Polio coverage	4	5	0	0	1	2
Workmen's compensation supplement	18	15	14	11	8	7
Sick leave	22	10	23	0	7	7
Bonuses:						
Profit sharing	4	2	2	1	4	5
Year-end bonus	16	9	15	9	9	8
Military leave bonus	14	13	9	9	3	3
Long service bonus	4	1	1	0	3	3
Subsidized savings plan	3	2	0	0	2	2

1/ Firms in addition to those handling agricultural products have been included.

National Industrial Conference Board, Fringe Benefit Packages, 1954.

Table 14.- Type of financing of fringe benefits to salaried and hourly employees reported by selected companies included in a survey of three industries, 1953

Item	Salaried employees			Hourly employees		
	Company financed	Joint financed	Total	Company financed	Joint financed	Total
	Number	Number	Number	Number	Number	Number
Food and beverage manufacturing:						
Total companies in survey	---	---	28	---	---	28
Selected health and security benefits:						
Pensions	16	9	25	12	12	24
Life insurance	12	10	22	14	8	22
Accidental death and dismemberment	9	5	14	11	5	16
Accident and sickness	7	8	15	12	6	18
Hospitalization coverage	9	10	19	15	8	23
Surgical coverage	8	10	18	13	8	21
Maternity coverage	6	8	14	7	5	12
Medical coverage	6	6	12	11	4	15
Catastrophe coverage	0	1	1	0	0	0
Polio coverage	0	4	4	2	3	5
Textiles and textile products manufacturing:						
Total companies in survey	---	---	29	---	---	32
Selected health and security benefits:						
Pensions	11	9	20	17	0	17
Life insurance	17	10	27	22	8	30
Accidental death and dismemberment	13	6	19	16	5	21
Accident and sickness	16	7	23	20	6	26
Hospitalization coverage	19	6	25	23	6	29
Surgical coverage	17	5	22	23	6	29
Maternity coverage	17	5	22	22	6	28
Medical coverage	8	3	11	10	2	12
Catastrophe coverage	0	1	1	0	0	0
Polio coverage	0	0	0	0	0	0
Retail stores: 1/						
Total companies in survey	---	---	12	---	---	12
Selected health and security benefits:						
Pensions	4	4	8	5	4	9
Life insurance	3	6	9	3	6	9
Accidental death and dismemberment	2	4	6	2	5	7
Accident and sickness	4	3	7	4	2	6
Hospitalization coverage	4	4	8	4	5	9
Surgical coverage	4	3	7	4	4	8
Maternity coverage	3	2	5	3	3	6
Medical coverage	5	0	5	3	2	5
Catastrophe coverage	1	1	2	1	1	2
Polio coverage	0	1	1	0	2	2

1/ Firms in addition to those handling agricultural products have been included.

National Industrial Conference Board, Fringe Benefit Packages, 1954.

Factors Affecting the Productivity of Labor

During recent years food marketing firms have adopted many new techniques with the expectation of increasing output per man-hour. The food-processing industry has made extensive application of assembly-line procedures and continuous processes of manufacture. Newly developed automatic equipment has reduced the need for machine operators and for human control of some processes. Electronic devices perform some operations. Modern procedures for handling materials have been introduced in many plants, warehouses, and stores. Bulk handling of milk, flour, sugar, and other food products is more common than formerly and new management procedures and work methods and new training programs are in use.

Adoption of new technology often requires installation of new equipment and changes in the layout of plants, warehouses, and stores. Reductions in labor cost achieved through increasing investments in plant and equipment are, of course, offset to some extent by the costs arising from such investments. Thus, payments for wages and salaries decline, but maintenance, depreciation, and interest costs rise.

Some improvement in labor productivity probably has resulted from the increase in the volume of output of many marketing establishments in recent years. Often the minimum labor force required to perform certain tasks in an establishment can handle a larger volume of products without lengthening hours of work or without additional equipment. The increase in the size of the typical retail food store and the wider application of self service appear to account mainly for the increase in the volume of products sold per employee.

Consumer Income and the Demand for Food Products

The increase in wages and salaries has been a factor in expanding consumer expenditures for food products. However, the increase in the cost of labor per unit of product marketed has contributed to the widening of the spreads between prices consumers have paid for food products and payments farmers have received for equivalent farm products.

The most recent nationwide survey of food consumption by urban families in the United States for which data have been published was conducted in 1948 by the Home Economics Research Branch of the Agricultural Research Service. 10/ This survey showed that the quantity of meat, poultry, and fish, dairy products (not including butter), eggs, and fresh and processed fruits and vegetables bought per family increased considerably from the lower to the higher income groups. Purchases of flour, however, decreased steadily from the lowest to the highest income group. Families in the middle income groups made the largest purchases of bakery products. Purchases of fats and oils differed little from one income group to another.

10/ Food Consumption of Urban Families in the United States, with an Appraisal of Methods of Analysis, by Faith Clark, Janet Murray, Gertrude S. Weiss, and Evelyn Grossman, U. S. Dept. Agr. Agr. Inform. Bull. 132, Oct. 1954.

Consumer expenditures for food have risen along with consumer incomes since World War II. Wages and salaries, which have varied from about 65 to 70 percent of the total personal income received by residents of the United States since 1946, have accounted for much of the increase in income. Expenditures per person for food have increased each year except 1949 when disposable income (personal income less personal taxes) per person declined slightly and prices paid by consumers for food decreased. 11/ In 1954 neither disposable income, expenditures for food, nor prices of food differed significantly from 1953 levels. Expenditures for food increased in 1953 and 1955 with disposable income, although prices of food declined. Annual expenditures for food have varied between 25 and 27 percent of disposable income since World War II. The increase in per capita expenditures for food reflects an increase in prices paid by consumers for food, substitution of more expensive foods for cheaper foods, and more frequent eating in restaurants and other eating places.

11/ The trend in prices of food is shown by the cost of a fixed quantity of food given in the next to last column of table 3, p. 9.

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